

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

1. GENERAL

The Company is a public limited company incorporated in Hong Kong. Its shares are listed on The Stock Exchange of Hong Kong Limited.

The Company continues to act as an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 16 and 17 respectively.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARD

In the current year, the Group has adopted, for the first time, the Statement of Standard Accounting Practice No. 12 (Revised) Income taxes (“SSAP 12 (Revised)”) issued by the Hong Kong Society of Accountants (“HKSA”). The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions.

In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2003 have been restated accordingly. The balance of accumulated profits at 1 April 2002 has been reduced by HK\$4,669,253, which is the cumulative effect of the change in policy on the results for periods prior to 2002. The balance on the Group’s interests in associates at 1 April 2002 has been reduced by HK\$2,329,855 and deferred tax liabilities have been increased by HK\$2,457,311 representing the Group’s share of deferred tax liability recognised in respect of the revaluation surplus on the properties of the subsidiaries and associates at that date. And the deferred tax assets have been increased by HK\$117,913 relating to the depreciation for financial reporting purposes and other taxable and deductible temporary differences are generally fully provided for.

As a result of this change in policy, the profit for the year ended 31 March 2004 has decreased by HK\$1,323,488 (2003: decreased by HK\$669,545). At 31 March 2004, total assets have decreased by HK\$3,398,171 (31 March 2003: decreased by HK\$2,617,976) and total liabilities have increased by HK\$3,264,115 (31 March 2003: increased by HK\$2,720,822). The new accounting policy has been adopted retrospectively, with the opening balances of accumulated profits and reserves and comparative amounts adjusted for the prior periods as disclosed in the consolidated statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investments in securities

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market values based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance in the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of the assets, over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land	Over the terms of the lease
Buildings	4% or over the terms of the lease, if higher
Furniture and office equipment	20%
Leasehold improvement	10%
Motor vehicles	25%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit for the year.

In preparing consolidated financial statements, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are nonassessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Revenue recognition

Rental income, including rentals invoiced in advance from properties under operating leases, is recognised on a straight-line basis over the respective lease terms.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Sale of investments is recognised when the title to the investment is transferred and the buyer takes legal possession of the investment.

Dividend income from investments is recognised when the Company's right to receive payment has been established.

Operating leases

Leases of assets in respect of which substantially all the rewards and risks of ownership remain with the lessors are accounted for as operating leases. Rentals paid and payable under operating leases are charged to the income statement on a straight-line basis over such term of the relevant lease.

Retirement benefits scheme

The retirement benefit costs charged to the income statement represent the contributions payable in respect of the current year to the Group's Mandatory Provident Fund Scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

4. TURNOVER

Turnover represents the aggregate of amounts received and receivable from property rental income and sales of other investments.

	2004 HK\$	2003 HK\$
Property rental income	28,595,207	30,982,373
Sales of other investments	63,580,986	71,395,564
	<u>92,176,193</u>	<u>102,377,937</u>

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into two operating divisions - property leasing and securities investment. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

INCOME STATEMENT

For the year ended 31 March 2004

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
Turnover	<u>28,595,207</u>	<u>63,580,986</u>	<u>92,176,193</u>
Segment result	<u>9,785,647</u>	<u>7,953,680</u>	17,739,327
Profit from operations			17,739,327
Finance costs			(2,725,209)
Share of results of associates	<u>6,756,965</u>	<u>–</u>	6,756,965
Profit before taxation			21,771,083
Taxation			(3,078,590)
Profit for the year			<u>18,692,493</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

BALANCE SHEET

At 31 March 2004

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
Assets			
Segment assets	651,241,893	64,746,729	715,988,622
Interests in associates	162,405,468	–	162,405,468
	<u>813,647,361</u>	<u>64,746,729</u>	<u>878,394,090</u>
Liabilities			
Segment liabilities	<u>23,308,015</u>	<u>121,738</u>	23,429,753
Bank borrowings			117,213,474
Tax liabilities			1,030,457
			<u>141,673,684</u>

OTHER INFORMATION

For the year ended 31 March 2004

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
Capital additions	1,161,095	–	1,161,095
Depreciation	<u>762,752</u>	<u>–</u>	<u>762,752</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

INCOME STATEMENT

For the year ended 31 March 2003

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$ (Restated)
Turnover	<u>30,982,373</u>	<u>71,395,564</u>	<u>102,377,937</u>
Segment result	<u>17,642,779</u>	<u>10,466,046</u>	<u>28,108,825</u>
Profit from operations			28,108,825
Finance costs			(4,466,614)
Share of results of associates	<u>7,883,153</u>	<u>—</u>	<u>7,883,153</u>
Profit before taxation			31,525,364
Taxation			<u>(2,485,642)</u>
Profit for the year			<u>29,039,722</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

BALANCE SHEET

At 31 March 2003

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$ (Restated)
Assets			
Segment assets	635,867,968	75,615,948	711,483,916
Interests in associates	156,698,278	–	156,698,278
	<u>792,566,246</u>	<u>75,615,948</u>	<u>868,182,194</u>
Liabilities			
Segment liabilities	<u>126,909,565</u>	<u>40,000,000</u>	166,909,565
Tax liabilities			<u>1,162,653</u>
			<u>168,072,218</u>

OTHER INFORMATION

For the year ended 31 March 2003

	Property leasing HK\$	Securities investment HK\$	Consolidated HK\$
Capital additions	54,812	–	54,812
Depreciation	<u>744,976</u>	<u>–</u>	<u>744,976</u>

Geographical segments

Over 90% of the activities of the Group during the year were carried out in Hong Kong and over 90% of the assets of the Group were located in Hong Kong. Accordingly, a geographical analysis is not presented.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

6. INTEREST INCOME

	2004 HK\$	2003 HK\$
Interest income from bank deposits and balances	20,606	19,610
Interest income from other investments	3,815,302	5,603,747
	<u>3,835,908</u>	<u>5,623,357</u>

7. PROFIT FROM OPERATIONS

	2004 HK\$	2003 HK\$
Profit from operations has been arrived at after charging:		
Auditors' remuneration	210,000	300,000
Depreciation	762,752	744,976
Staff costs (including Directors' remuneration)	7,304,016	7,368,239
Mandatory provident fund contributions	78,732	70,254
Total staff costs	7,382,748	7,438,493
and after crediting:		
Exchange gain	1,468,545	212,246
Dividend income	31,000	–
Gain on disposal of property, plant and equipment	30,000	–
Gain on disposal of other investments	1,612,270	952,451
Gross rental income from investment properties	28,595,207	30,982,373
Less: Outgoings	1,879,357	2,015,590
Net rental income	<u>26,715,850</u>	<u>28,966,783</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

8. FINANCE COSTS

	2004 HK\$	2003 HK\$
Interest on bank borrowings		
wholly repayable within five years	2,068,850	1,211,760
not wholly repayable within five years	656,359	3,254,854
	<u>2,725,209</u>	<u>4,466,614</u>

9. DIRECTORS' REMUNERATION

	2004 HK\$	2003 HK\$
Directors' fees		
Executive Directors	–	–
Non-Executive Director	50,000	50,000
Independent Non-Executive Directors	100,000	100,000
Other emoluments (Executive Directors)		
Salaries and other benefits (<i>Note</i>)	6,140,100	6,228,700
Mandatory provident fund contributions	15,000	12,000
	<u>6,305,100</u>	<u>6,390,700</u>

Note: The amount includes rateable value of HK\$696,600 (2003: HK\$790,200), being rent-free accommodation provided to a director by the Company.

Remuneration of the Directors are within the following bands:

	Number of Directors	
	2004	2003
Nil – HK\$1,000,000	4	4
HK\$5,000,001 – HK\$5,500,000	<u>1</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

10. EMPLOYEES' EMOLUMENTS

Of the five highest paid employees in the Group, two (2003: two) were Directors of the Company whose emoluments were included in note 9. The emoluments of the remaining three (2003: three) individuals were as follows:

	2004 HK\$	2003 HK\$
Salaries and other benefits	967,300	937,300
Mandatory provident fund contributions	33,965	33,965
	<u>1,001,265</u>	<u>971,265</u>

The aggregate emoluments of each of the remaining three (2003: three) highest paid individuals during the years ended 31 March 2004 and 31 March 2003 were within the HK\$1,000,000 band.

During the years ended 31 March 2004 and 31 March 2003, no emoluments were paid by the Group to the five highest paid individuals, including Directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

11. TAXATION

	2004 HK\$	2003 HK\$ (Restated)
The charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax		
Current year	1,038,181	967,491
Overprovision in prior years	–	(735)
	<u>1,038,181</u>	<u>966,756</u>
Share of tax on results of associates	716,921	849,341
	<u>1,755,102</u>	<u>1,816,097</u>
Deferred tax (<i>Note 25</i>)		
Current year	355,557	253,183
Attributable to a change in tax rate	255,077	–
Share of taxation attributable to associates	712,854	416,362
	<u>3,078,590</u>	<u>2,485,642</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

11. TAXATION (Continued)

Hong Kong Profits Tax is calculated at 17.5% (2003: 16%) of the estimated assessable profit for the year. The Hong Kong Profits Tax rate was increased from 16% to 17.5% with effect from the 2003/2004 year of assessment. The effect of this increase has been reflected in the calculation of current and deferred tax balances at 31 March 2004.

Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

Details of the potential deferred tax assets not provided for in the year are set out in note 25.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2004 HK\$	2003 HK\$
Profit before taxation	<u>21,771,083</u>	<u>31,525,364</u>
Tax at the domestic income tax rate of 17.5% (2003: 16%)	3,809,939	5,044,056
Tax effect of expenses not deductible for tax purpose	3,701,687	2,126,318
Tax effect of income not taxable for tax purpose	(5,600,089)	(4,985,535)
Tax effect of tax losses not recognised	157,290	119,788
Over-provision in respect of prior year	(9,385)	(735)
Utilisation of tax losses previously not recognised	<u>(304,340)</u>	<u>(487,795)</u>
Tax effect for the year	<u>1,755,102</u>	<u>1,816,097</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

12. DIVIDENDS

	2004 HK\$	2003 HK\$
Interim, paid – HK1.2 cents per share (2003: HK1.2 cents per share)	3,693,750	3,693,750
Final, proposed – HK1.8 cents per share (2003: HK1.6 cents per share)	5,540,626	4,925,000
Special, proposed – HK1.2 cents per share (2003: Nil)	3,693,750	–
	<hr/>	<hr/>
	<u>12,928,126</u>	<u>8,618,750</u>

The final dividend of HK1.8 cents per share and the special dividend of HK\$1.2 cents per share have been proposed by the directors and are subject to approval by the shareholders in annual general meeting.

13. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year of HK\$18,692,493 (2003: HK\$29,039,722) and on 307,812,522 (2003: 307,812,522) ordinary shares in issue during the year.

No diluted earnings per share has been presented as there were no dilutive potential shares in issue in either year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

14. INVESTMENT PROPERTIES

	<i>HK\$</i>
THE GROUP	
VALUATION	
At 1 April 2003	598,342,170
Exchange adjustment	1,468,545
Transfer to property, plant and equipment	(2,043,562)
Disposals	(4,633,200)
Surplus on revaluation	<u>15,068,457</u>
At 31 March 2004	<u>608,202,410</u>

The investment properties of the Group were revalued at 31 March 2004 on an open market value existing use basis by Vigers Hong Kong Limited, Chartered Surveyors and Johnston, Ross & Cheng Ltd., independent valuers. The surplus arising on revaluation has been credited to the investment property revaluation reserve.

The carrying amount of investment properties shown above comprises:

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Properties in Hong Kong under medium-term leases	594,190,000	583,130,000
Properties outside Hong Kong		
Freehold	13,232,410	9,931,570
Medium-term lease	–	4,633,200
Long lease	<u>780,000</u>	<u>647,400</u>
	<u>608,202,410</u>	<u>598,342,170</u>

All the investment properties of the Group are rented out under operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings held under medium-term lease in Hong Kong HK\$	Furniture and office equipment HK\$	Leasehold improvement HK\$	Motor vehicles HK\$	Total HK\$
THE GROUP					
COST					
At 1 April 2003	18,035,433	3,305,486	4,250,665	6,149,994	31,741,578
Additions	–	44,600	–	1,116,495	1,161,095
Disposals	–	–	–	(1,180,680)	(1,180,680)
Transfer from investment properties	2,307,553	–	–	–	2,307,553
At 31 March 2004	20,342,986	3,350,086	4,250,665	6,085,809	34,029,546
DEPRECIATION					
At 1 April 2003	1,921,726	3,117,602	3,358,557	6,149,994	14,547,879
Provided for the year	220,664	110,770	242,038	189,280	762,752
Eliminated on disposals	–	–	–	(1,180,680)	(1,180,680)
Transfer from investment properties	263,991	–	–	–	263,991
At 31 March 2004	2,406,381	3,228,372	3,600,595	5,158,594	14,393,942
NET BOOK VALUES					
At 31 March 2004	<u>17,936,605</u>	<u>121,714</u>	<u>650,070</u>	<u>927,215</u>	<u>19,635,604</u>
At 31 March 2003	<u>16,113,707</u>	<u>187,884</u>	<u>892,108</u>	<u>–</u>	<u>17,193,699</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Furniture and office equipment <i>HK\$</i>
THE COMPANY	
COST	
At 1 April 2003 and 31 March 2004	258,636
DEPRECIATION	
At 1 April 2003 and 31 March 2004	<u>258,636</u>
NET BOOK VALUE	
At 31 March 2004 and 31 March 2003	<u><u>–</u></u>

16. INTERESTS IN SUBSIDIARIES

	2004 <i>HK\$</i>	2003 <i>HK\$</i>
Unlisted shares, at cost less impairment loss	48,528,428	48,528,428
Amounts due from subsidiaries less allowance	<u>375,853,302</u>	<u>380,213,356</u>
	<u><u>424,381,730</u></u>	<u><u>428,741,784</u></u>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the Directors, the amounts will not be repaid within twelve months from the balance sheet date and the amounts are therefore classified as non-current.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

16. INTERESTS IN SUBSIDIARIES (Continued)

Details of the Company's wholly owned subsidiaries at 31 March 2004 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid ordinary share capital	Principal activities
Bo Ding Holdings Ltd.	Republic of Liberia/ Hong Kong	HK\$2	Investment holding
Funswin Investment Limited	Hong Kong	HK\$2	Securities investment
Grademark Limited	Hong Kong	HK\$2	Property investment
Grant Horn Investment Limited	Hong Kong	HK\$2	Inactive
High Spark Properties Limited	Hong Kong	HK\$20	Property investment
Hokin Investment Limited	The British Virgin Islands/ Hong Kong	US\$1	Securities investment
Kamillex Company Limited	Hong Kong	HK\$2	Investment holding
Kimberly Investment Limited	Hong Kong	HK\$2	Property investment
Kimwui Investments Limited	Hong Kong	HK\$2	Property investment
Kinghale Investment Limited	Hong Kong	HK\$2	Inactive
Kingunit Company Limited	Hong Kong	HK\$2	Property investment
Laquinta Investments Limited	The British Virgin Islands/ Hong Kong	US\$1	Property investment
Longo Investment Company Limited	Hong Kong	HK\$2	Property investment
Pomeroy Company Limited	Hong Kong	HK\$2	Property investment
Spark View Limited	Hong Kong	HK\$20	Property investment
Strongfort Company Limited	Hong Kong	HK\$40,000	Property investment
Take Easy Investment Limited	Hong Kong	HK\$2	Property investment
Tern China Investments Limited	Hong Kong	HK\$2	Property investment
Tern Real Estate Agency Limited	Hong Kong	HK\$2	Inactive
Zepersing Limited	Hong Kong	HK\$2	Property investment

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

All subsidiaries are directly owned by the Company except Zepersing Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

17. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2004 HK\$	2003 HK\$ (Restated)	2004 HK\$	2003 HK\$
Unlisted shares, at cost	–	–	32	32
Share of net assets	142,808,642	131,251,452	–	–
Amount due from an associate	<u>19,596,826</u>	<u>25,446,826</u>	<u>19,596,826</u>	<u>25,446,826</u>
	<u><u>162,405,468</u></u>	<u><u>156,698,278</u></u>	<u><u>19,596,858</u></u>	<u><u>25,446,858</u></u>

The amount due from an associate is unsecured, interest-free and has no fixed repayment terms. In the opinion of the Directors, the amount will not be repaid within twelve months from the balance sheet date and the amount is therefore classified as non-current.

Details of the Group's associates at 31 March 2004 are as follows:

Name of associate	Place of incorporation/ operation	Issued and fully paid ordinary share capital HK\$	Percentage of equity attributable to the Group	Principal activities
Milsons Investment Limited	Hong Kong	110	27.27%	Not yet commence business
Spirit Fidelity Limited	Hong Kong	2	50.00%	Trustee
Win Easy Development Limited	Hong Kong	2	50.00%	Property investment

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

17. INTERESTS IN ASSOCIATES (Continued)

The following details have been extracted from the audited financial statements of the Group's principal associate, Win Easy Development Limited:

Operating results for the year ended 31 March:

	2004 HK\$	2003 HK\$
Turnover	18,912,982	19,651,716
Depreciation	22,294	22,295
Profit before taxation	<u>13,513,931</u>	<u>15,766,306</u>
Profit before taxation attributable to the Group	<u>6,756,965</u>	<u>7,883,153</u>

Financial position at 31 March:

	2004 HK\$	2003 HK\$ (Restated)
Non-current assets	338,905,707	326,468,001
Current assets	950,376	614,711
Current liabilities	(15,045,208)	(8,193,784)
Non-current liabilities	<u>(39,193,653)</u>	<u>(56,386,087)</u>
Shareholders' funds	<u>285,617,222</u>	<u>262,502,841</u>
Shareholders' funds attributable to the Group	<u>142,808,611</u>	<u>131,251,421</u>

18. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables is rental receivable of HK\$443,156 (2003: HK\$331,070) with defined credit policy. The rental income is invoiced in advance and settlement is expected upon receipt of billing.

All the rental receivable at the balance sheet date had an aging of less than 90 days.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

19. OTHER INVESTMENTS

	2004 HK\$	2003 HK\$
THE GROUP		
Listed overseas debt securities	59,729,505	71,544,057
Equity securities listed in Hong Kong	3,658,549	–
	<u>63,388,054</u>	<u>71,544,057</u>
Market value	<u>63,388,054</u>	<u>71,544,057</u>

20. TRADE AND OTHER PAYABLES

Included in trade and other payables is rental receipt in advance of HK\$500,629 (2003: HK\$474,605).

All the rental receipt in advance at the balance sheet date had an aging of less than 90 days.

21. SECURED BANK LOANS

	THE GROUP		THE COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
The secured bank loans are repayable as follows:				
Within one year	97,247,976	51,643,027	20,000,000	25,000,000
More than one year but not exceeding two years	255,343	11,999,181	–	–
More than two years but not exceeding five years	812,441	38,222,887	–	–
More than five years	4,298,449	29,066,025	–	–
	<u>102,614,209</u>	<u>130,931,120</u>	<u>20,000,000</u>	<u>25,000,000</u>
Less: Amount due within one year	(97,247,976)	(51,643,027)	(20,000,000)	(25,000,000)
	<u>5,366,233</u>	<u>79,288,093</u>	<u>–</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

22. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest-free and have no fixed repayment terms. The amounts will not be repaid within twelve months from the balance sheet date and the amounts are therefore classified as non-current.

23. SHARE CAPITAL

	Number of ordinary shares of HK\$0.5 each		Nominal value	
	2004	2003	2004 HK\$	2003 HK\$
THE COMPANY				
Authorised:				
At 1 April and 31 March	<u>400,000,000</u>	<u>400,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
Issued and fully paid:				
At 1 April and 31 March	<u>307,812,522</u>	<u>307,812,522</u>	<u>153,906,261</u>	<u>153,906,261</u>

24. RESERVES

	Share premium account HK\$	Capital redemption reserve HK\$	Dividend reserve HK\$	Accumulated profits HK\$	Total HK\$
THE COMPANY					
1 April 2002	72,818,414	2,662,000	4,617,188	21,773,035	101,870,637
Profit for the year	–	–	–	1,568,171	1,568,171
Dividends declared	–	–	8,618,750	(8,618,750)	–
Dividends paid	–	–	(8,310,938)	–	(8,310,938)
<hr/>					
At 31 March 2003 and					
1 April 2003	72,818,414	2,662,000	4,925,000	14,722,456	95,127,870
Profit for the year	–	–	–	4,599,107	4,599,107
Dividends declared	–	–	12,928,126	(12,928,126)	–
Dividends paid	–	–	(8,618,750)	–	(8,618,750)
<hr/>					
At 31 March 2004	<u>72,818,414</u>	<u>2,662,000</u>	<u>9,234,376</u>	<u>6,393,437</u>	<u>91,108,227</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

24. RESERVES (Continued)

The Company's reserves available for distribution to shareholders, calculated in accordance with generally accepted accounting principles in Hong Kong and section 79B of the Companies Ordinance, amounted to HK\$15,627,813 (2003: HK\$19,647,456) since, in accordance with the Company's Articles of Association, dividends can only be distributed out of realised profits of the Company.

25. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the year and prior years:

	Accelerated tax depreciation HK\$	Revaluation of properties HK\$
THE GROUP		
At 1 April 2002		
– as previously reported	–	–
– adjustment on adoption of SSAP 12 (Revised)	117,913	(2,457,311)
– as restated	117,913	(2,457,311)
Credit (charge) to income statement for the year	10,328	(263,511)
At 1 April 2003	128,241	(2,720,822)
Charge to income statement for the year	(67,341)	(288,216)
Effect of change in tax rate – charge to income statement	–	(255,077)
At 31 March 2004	<u>60,900</u>	<u>(3,264,115)</u>

At the balance sheet date, the Group has unused tax losses of HK\$11,926,523 (2003: HK\$13,317,264) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams and those losses may be carried forward indefinitely.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

26. PENSIONS SCHEME

The Group operates Mandatory Provident Fund scheme (the “MPF”) for all existing staff members of the Group.

The MPF is defined contribution scheme and the assets of the scheme are managed by the trustees.

The MPF is available to all employees aged 18 to 64 and with at least 60 days of service under the employment of the Group in Hong Kong. Contributions are made by the Group at 5% based on the staff’s relevant income. The maximum relevant income for contribution purpose is HK\$20,000 per month. Staff members are entitled to 100% of the Group’s contributions together with accrued returns irrespective of their length of service with the Group, but the benefits are required by law to be preserved until the retirement age of 65.

The Group’s cost for the MPF charged to income statement for the year ended 31 March 2004 amounted to HK\$78,732 (2003: HK\$70,254). At 31 March 2004, contributions due in respect of the reporting period had been fully paid over to the MPF.

27. PLEDGE OF ASSETS

At the balance sheet date, the Group’s banking facilities amounting to HK\$226,062,000 (2003: HK\$235,948,000) were fully secured by its land and buildings and investment properties with an aggregate carrying value amounting to HK\$536,629,016 (2003: HK\$523,045,279). These facilities were utilised to the extent of HK\$117,213,474 (2003: HK\$146,942,839) as at the balance sheet date.

28. CONTINGENT LIABILITIES

At the balance sheet date, there were contingent liabilities, so far as not provided for in the financial statements, in respect of guarantees for the banking facilities made available to:

	THE GROUP		THE COMPANY	
	2004 HK\$	2003 HK\$	2004 HK\$	2003 HK\$
Subsidiaries	<u>–</u>	<u>–</u>	<u>77,114,501</u>	<u>95,885,519</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

29. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2004	2003
	HK\$	HK\$
Minimum lease payments paid under operating leases in respect of rented properties during the year	<u>576,000</u>	<u>576,000</u>

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2004	2003
	HK\$	HK\$
Within one year	48,000	576,000
In the second to fifth year inclusive	<u>–</u>	<u>48,000</u>
	<u>48,000</u>	<u>624,000</u>

Operating lease payments represent rentals payable by the Group for the quarters of a director. Leases are negotiated and rentals are fixed annually.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2004

29. OPERATING LEASE ARRANGEMENTS (Continued)

The Group as lessor

The investment properties of the Group are expected to generate rental yields of approximately 5% (2003: 5%) on an ongoing basis. All of the properties held have committed tenants not exceeding three years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2004 HK\$	2003 HK\$
Within one year	21,755,838	24,920,981
In the second to fifth year inclusive	<u>9,362,246</u>	<u>12,770,561</u>
	<u><u>31,118,084</u></u>	<u><u>37,691,542</u></u>

30. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, three subsidiaries of the Group, namely, Grademark Limited, Kingunit Company Limited and Pomeroy Company Limited, entered into an agreement with an independent third party regarding the disposal of investment properties, at a total consideration of HK\$15,000,000, resulting in a loss on disposal of approximately HK\$3,000,000.